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Socio-economic Series 05-009

## HOUSING AND NON-HOUSING CONSTRUCTION LABOUR

### INTRODUCTION

In the residential construction sector, nearly 90 per cent of firms have fewer than five employees, compared to 70 per cent in the non-residential sector.

The construction industry is also split along operational lines, with a division between residential and non-residential construction. There is a further split in the residential sector between new homebuilding and home renovation sectors.

Outside Quebec and the Greater Toronto Area, the non-residential sector is more heavily unionized than the residential sector. Unionized non-residential construction workers have higher wages than residential sector workers.

### PURPOSE OF THE RESEARCH

The research examines similarities and differences in labour requirements in residential and non-residential construction and the extent to which construction labour moves between residential and non-residential construction. The research also identifies elements of a human resource development strategy that are common or unique to each sector.

### METHODOLOGY

This study is based on a review of existing documentation. The review is supplemented by a small number of key informant interviews.

The study profiled the construction industry's labour force, focusing on 11 construction trades, the size of the labour force for those trades, the firms they work for, the sectors in which they work and the different labour requirements in the 11 sectors.

Using available data, the report also examines labour mobility between sectors. The research examined theoretical and actual mobility and the factors affecting mobility on an occupation-by-occupation basis.

The elements of a human resource development strategy for the residential and non-residential construction industry are identified using the findings for the first two objectives.

### KEY FINDINGS

#### Construction materials and techniques

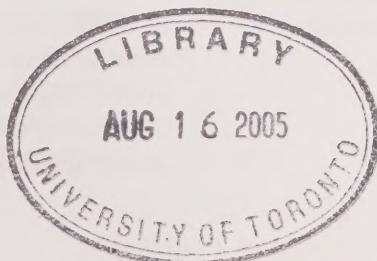
A 1999 CMHC research report found that there are some notable differences between residential and non-residential sectors in types of materials used. Residential construction makes greater use of lumber, windows, doors and kitchen cabinets. The non-residential sector makes greater use of exterior cladding and concrete products, accounting for more than 75 per cent of demand in non-residential sectors.

Carpentry is the most-common occupation in the construction trades. In residential construction there are 11 carpentry specialities: wood framing, metal framing, interior trim, exterior trim, siding, concrete forms, drywall, roof application, stairs, insulation, and cabinets and countertops.

Because the residential sector uses more lumber, windows, doors and kitchen cabinets than non-residential construction, carpentry skills in wood framing, trimming, and cabinet and countertop installation are more common. On the other hand, workers skilled in specialties such as concrete formwork are more common in non-residential construction, where concrete plays such a large role.

#### Employment practices

Employment practices include training, hiring policies, unionization, employment conditions, pay practices and levels, employee benefits, hours of work and overtime practices.



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It is not possible to get a full picture of all these practices on a detailed, sector-by-sector basis. There is, however, information about several employment practices, broken down by residential, non-residential, heavy industrial and trade contracting sectors. The data shows that outside Quebec there are higher wages and higher rates of full-time employment in the non-residential building and heavy industry sectors than in the residential sectors. In the residential construction and trade contracting sectors, there are much higher levels of self-employment.

Key informants suggest that unionization—rather than industry sector—determines employment practices in the construction industry. The non-residential and heavy industrial sectors are at least 50 per cent unionized. Fair-wage legislation in many jurisdictions brings wage rates for non-union, non-residential and heavy industrial sector workers up to negotiated union rates. Outside Quebec and the GTA, the residential sector is typically not unionized. There is evidence to support the contention that unionization is a key factor in wage rates.

## Marketing

Little information is available for analysis of marketing practices or their impact on labour requirements by the different sectors of the construction industry. However, it seems clear that consumer marketing and advertising are emphasized more in the residential than in the non-residential sector.

## Regulatory regime

Of the various elements of the regulatory regime in the construction industry, two have the greatest impact on labour requirements—building codes and labour relations.

Although jurisdiction over the Canadian construction industry is highly fragmented in law, in practice the National Building Code (NBC) plays a key role in promoting uniformity in construction regulation across the country. Most provinces initially adopted the model NBC as their own; although in recent years some have published their own codes, using the NBC as a basis. Key informants suggested two particular ways in which building codes may affect labour requirements:

- Because residential buildings of less than three storeys do not require an architect or engineer, tradespeople working on such buildings may require a more thorough knowledge of building codes; and
- The NBC requires installation of sprinkler systems for fire protection, a requirement not called for in residential buildings of three storeys or less.

Outside Quebec and the GTA, unionization is limited to the non-residential and heavy construction sectors. In Ontario, for example the Labour Relations Act mandates collective bargaining in the non-residential sector on a single-trade, province-wide basis, covering 25 trades.

Such legislated collective agreements are supplemented by fair-wage policies for trades not covered by collective agreements. This has the effect of extending union-level wages through the non-residential sector.

## INDUSTRY STRUCTURE

The structure of the construction industry—under one per cent of residential construction firms have 50 or more employees; in heavy construction, eight per cent have 50 or more; in non-residential construction, five per cent—has a significant impact on human resources.

Both human resource planning and management in small firms tend to be less formal. Workers in smaller firms may be less-specialized in particular areas than those working for large enterprises. As a result, workers in the larger, non-residential construction firms may not have the range of skills required in the residential sector, while residential workers may not have the specialized skills required in the non-residential sector.

## LABOUR MOBILITY

### Measuring labour mobility

Overall, occupational analysis suggests that, at least on paper, skills and duties are the same across the whole construction industry. In theory, therefore, labour can move back and forth between residential and non-residential construction. However, evidence from the literature and from key informants shows that mobility is limited in several of the most important trades.

### Reasons for lack of mobility

Although certification and training do not appear to be significant obstacles to mobility, there is not unlimited mobility. In most of the occupations there appears to be significant numbers who work either in residential or non-residential, but not in both sectors. There are a number of possible reasons for this:

- Trades qualifications established through training and certification go across sectoral boundaries, but specialized skills and experience developed on the job in a particular sector—often a function of different construction materials and techniques—may not be easily transferred.

For example:

- Carpenters in the residential sectors may be called upon to exercise a broader range of skills—including communications and marketing—than their counterparts in the non-residential sector.
- Unionized construction workers do not typically work for a single employer, providing their services through the union hiring hall to many different employers. Unionization is more prevalent and long-standing in the non-residential sector and one documented effect of unionization is a higher wage. Unionization also inhibits

mobility between sectors as a result of its hiring restrictions in unionized workplaces. Unionized workers in non-residential construction may be unwilling to move to the residential sectors because wages are lower.

- Unionization also has an impact on training opportunities. Building trade unions and their employers operate training trusts to upgrade the skills of union members. Because this training is confined to union members, it creates another barrier to non-union members who want to move from the residential to the non-residential sector.
- Self-employment also influences mobility. For example, tradespeople in non-residential construction may not have the communications and customer relations skills required for self-employment in the residential sector.
- Regulation, through building codes, differs from sector to sector, as does responsibility for interpretation and application. To the extent that regulation by provinces mandates unionization or fair-wage policies, regulation also contributes to the divide between residential and non-residential construction.

## ELEMENTS OF A HUMAN RESOURCE DEVELOPMENT STRATEGY

A human resource development strategy for the construction industry would aim to ensure an adequate supply of trained workers. Achieving this means recruiting and training new workers as well as upgrading the skills of existing workers. The need to recruit new workers to cope with an aging workforce is not unique to the construction industry. However, the industry is faced with a number of particular challenges, including:

- reduced supplies of skilled immigrant labour;
- more limited access for female workers than in other industries;
- declining interest by young people in the construction industry;
- a large number of small firms without the resources to plan and implement a human resource strategy; and
- the high turnover among employees and widespread contracting out.

In a number of areas, human resource needs are unique. Apprenticeships and training are important areas for change. While the non-residential side of the industry wants to enhance the existing apprenticeship system, the residential sector is advocating apprenticeship programs more specific to the homebuilding and renovation sectors.

Similarly, although there is support across the industry for voluntary certification and further development of the "Prior Learning Assessment and Recognition" (PLAR) model, the residential sector says that the PLAR standards should be based on required skills in residential construction, such as framer, former, interior and exterior finisher, as well as the recognition of competencies related specifically to the residential sector.

The appropriate government policy in supporting a human resource strategy may also be different in the different sectors. There is already a structure in place in Quebec and in the unionized non-residential sector under which training funds are generated through a levy on employers.

The issue of temporary work permits may be seen differently in the more unionized, non-residential sector than in the residential sector. Unions have campaigned against temporary work permits and have instead urged a policy of helping unemployed union members move temporarily to labour-short areas.

Strategies for dealing with regulatory and technological change may also need to be different between sectors. Application of advanced technologies is more of a reality in non-residential sectors, but its impact may be limited to a small group of workers, such as equipment operators. As for regulatory change, architects or engineers will be on-site at large projects to oversee their implementation. In much of the residential sector, workers may have to deal directly with changes.

## CONCLUSIONS

A picture emerges of an industry composed of two fairly distinct sectors—residential and non-residential—with different skill requirements, regulations, wages, working conditions and training opportunities. Although there is labour mobility between the two sectors, a significant number of construction tradespeople work only in one of the two groupings. Therefore, an appropriate human resource development strategy should distinguish between elements common to both sectors and those that are unique to each sector.

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